



NORTH CAROLINA GENERAL ASSEMBLY
Legislative Services Office

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MEMORANDUM

TO: Sen. Debbie Clary and Rep. Julia Howard
Chair, Joint Legislative Program Evaluation Oversight Committee

FROM: Hal Pell, Committee Counsel

RE: Directives to the Program Evaluation Division
2011 Regular Session

DATE: July 12, 2011

Session Law 2011-145, House Bill 200

(State Motor Fleet Project Amendment)

SECTION 6.13.(a) The State Motor Fleet project in the Work Plan of the Program Evaluation Division approved April 5, 2011, by the Joint Legislative Program Evaluation Oversight Committee is amended as described in this section.

SECTION 6.13.(b) The Program Evaluation Division shall evaluate the consolidation of air services provided by the Department of Transportation, the State Bureau of Investigation, and the University of North Carolina Passenger Mission and shall recommend the most appropriate agency to house the consolidated services. Other air services may be examined for consolidation by the Program Evaluation Division. The study shall evaluate savings through consolidation, including potential savings from the following:

- (1) Reduction in aircraft.
- (2) Reduction in personnel.
- (3) Reduction in State facilities.
- (4) An improved level of service.
- (5) The potential sale of the DOT Beechcraft B200 aircraft tail number N3NC and if so when the sale should take place.

SECTION 6.13.(c) The Program Evaluation Division shall study the formation of an Aviation Management Authority, as recommended by the Program Evaluation Division's April 2010 Report "Selling 25 Underutilized Aircraft May Yield Up to \$8.1 Million and Save \$1.5 Million Annually."

SECTION 6.13.(d) The Program Evaluation Division shall study all passenger and non-passenger vehicles owned and operated by all State government departments, institutions, and entities. The study shall include motor fleet fees and associated cash balances, mechanic operations, the use and purpose of assigned vehicles, and State fueling stations and associated fees.

SECTION 6.13.(e) The Program Evaluation Division shall report its findings and recommendations from the State Motor Fleet project described under this section to the Joint Legislative Program Evaluation Oversight Committee no later than May 1, 2012.

(North Carolina Attractions)

SECTION 22.1.(a) The Program Evaluation Division shall study and review State operations considered attractions in the State, such as State Historic Sites, Museums, State Parks, Aquariums, and the North Carolina Zoo, and recommend whether administration of such attractions can be consolidated in one

Department or administrative unit. In conducting its study, the Program Evaluation Division shall review all sources of revenue generated by these attractions, including admission fees, donations, and concession sales, and shall review daily visitation trends for these attractions to determine optimal operating schedules.

SECTION 22.1.(b) The Program Evaluation Division shall report its findings by March 30, 2012, to the full chairs of the House of Representatives and Senate Appropriations Committees, the chairs of the House of Representatives Appropriations Subcommittee on General Government, the chairs of the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division.

(North Carolina Railroad Company)

SECTION 28.12A. The Program Evaluation Division of the General Assembly shall conduct a comprehensive evaluation of the North Carolina Railroad Company, a North Carolina corporation of which the State is the sole shareholder and which is a discretely reported component unit of the State as defined by the Governmental Accounting Standards Board. The evaluation shall address, at a minimum, the following issues:

- (1 Program Evaluation) Whether the corporation is adhering to its stated corporate mission of maximizing the value of the corporation for the people of the State.
- (2) What economic development benefits have been provided by the corporation and for what costs.
- (3) An evaluation of the use of available cash by the corporation, including the purchase of real property used for investment purposes rather than paying dividends to the State.
- (4) The approximate value of the corporation's assets, based on a market valuation rather than historic or book value of assets.
- (5) The approximate value of the entire corporation as a going concern.
- (6) The effectiveness of the provisions of Chapter 124 of the General Statutes to allow the State to exercise its shareholder rights and to provide effective shareholder oversight of the corporation.
- (7) Whether the ownership of the corporation provides the State a reasonable return on its investment, attempting to consider both the tangible and intangible value provided by the corporation.
- (8) Whether the corporation should be sold, transferred under the jurisdiction of the Department of Transportation or another State agency, or maintain its corporate structure.
- (9) Whether the General Assembly should consider the possibility of repealing the corporate charter of the corporation by a special act, as allowed under Section 1 of Article VIII of the North Carolina Constitution.

For the purposes of this evaluation, the terms "State agency" or "agency" as used under Article 7C of Chapter 120 of the General Statutes shall include the North Carolina Railroad Company.

For the purposes of this evaluation, the Program Evaluation Division is hereby granted authority to exercise the State's shareholder right to inspect the corporate books and records of the North Carolina Railroad Company on behalf of the State.

The Program Evaluation Division may hire consultants to aid it in its evaluation, including experts in appraisal and valuation.

The Program Evaluation Division shall report the results of its study to the Joint Legislative Program Evaluation Oversight Committee and the Joint Legislative Transportation Oversight Committee no later than May 1, 2012.

(Performance-Based Compensation System)

SECTION 29.20.(a) It is the intent of the General Assembly to create and implement a modernized, fair, and fully functional performance-based compensation system for employees of State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies. To that end, the Legislative Services Commission, jointly through the Fiscal Research and Program Evaluation Divisions, is directed to commission a review and study of the current compensation plans of State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies (government sectors). The Legislative Services Commission may use a Request for Information process or a Request for Proposals process

to contract with a qualified consulting firm to perform this review and study. The study, at minimum, shall include all of the following:

- (1) A labor market analysis of pay, fringe benefits, classification, and banding plans of government sector employees to determine whether current employees are compensated appropriately relative to market rates for similar positions as compared to (i) other North Carolina public employees, (ii) similar positions and employees in other states, and (iii) where applicable, employees in private industry.
- (2) An analysis of current performance-based compensation plans in use by the North Carolina Banking Commission, the University of North Carolina Health Care System, and the performance-based compensation system proposed by Charlotte/Mecklenburg County Schools. This analysis should include an assessment of the effectiveness of these performance-based plans and should include identification of best practices.
- (3) An evaluation of current longevity pay as applicable to most government sector employees and recommendations as to whether longevity pay should be continued for new hires.
- (4) An evaluation of current laws and policies related to "career status" for employees subject to the State Personnel Act and tenure for public school teachers and university professors. For public school teachers, the evaluation of tenure shall include its relationship with student performance, if any. This evaluation should also include recommendations as to whether these laws and policies should be continued or modified based upon human resource best practices.
- (5) An evaluation of salary supplements for public school employees paid on account of master's degrees, attainment of other advanced degrees, and national board certification, including the relationship to student performance, if any. This evaluation should also include recommendations as to whether these salary supplements should be continued or modified based upon the effect on student performance, if any, and human resource best practices.
- (6) An evaluation of the State Personnel Act, including recommendations as to whether these laws and policies should be continued or modified based upon human resource best practices.
- (7) An analysis of the effect of in-State regional variables on employee compensation and recommendations as to how those variables should be addressed in the future.
- (8) Recommendations of how to evaluate and compare the value of employee fringe benefits.
- (9) Recommendations, timetable, and design of a comprehensive performance-based compensation plan across all government sectors for implementation by the General Assembly. Recommendations must include the design of an effective employee performance evaluation system, including the identification of effective employee performance measures and information systems (including estimated costs) to track and monitor employee performance.
- (10) Training recommendations for supervisors and managers regarding employee productivity and performance evaluation.
- (11) Recommendations to assure equity of compensation among public employees across government sectors.
- (12) Feasibility of a consensus forecasting group to make annual recommendations for compensation policy across all government sectors. These recommendations should include how to establish and maintain priorities for General Fund appropriations necessary to fund the performance-based compensation system while remaining affordable for the State and its taxpayers.

SECTION 29.20.(b) In the event that the Legislative Services Commission contracts with a qualified consulting firm to perform the review and study, the consultant shall report its progress to the Fiscal Research and Program Evaluation Divisions every 90 days.

SECTION 29.20.(c) By May 1, 2012, the Fiscal Research and Program Evaluation Divisions, or at their direction by the consultant hired to perform the review and study, shall report all findings and any other final results of the study, including recommendations and legislative proposals, to the 2012 Regular Session of the 2011 General Assembly.

SECTION 29.20.(d) All State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies shall provide any information, data, or documents within their possession, ascertainable from their records, or otherwise available to them to the Fiscal Research and Program Evaluation Divisions and/or the consultant necessary to complete this review and study.

Session Law 2011-382, House Bill 763

(Division of Motor Vehicles)

AN ACT AUTHORIZING THE JOINT LEGISLATIVE PROGRAM EVALUATION OVERSIGHT COMMITTEE TO DIRECT THE PROGRAM EVALUATION DIVISION TO STUDY THE DIVISION OF MOTOR VEHICLES' COMMISSION CONTRACT FOR THE ISSUANCE OF PLATES AND CERTIFICATES PROGRAM TO DEVELOP OPERATIONAL PRACTICES THAT WOULD RESULT IN INCREASED OPERATING EFFICIENCY AND TO AUTHORIZE THE DIVISION OF MOTOR VEHICLES TO PROVIDE TAG SERVICES AT MILITARY BASES.

The General Assembly of North Carolina enacts:

SECTION 1. The Joint Legislative Program Evaluation Oversight Committee shall include in the 2011-2012 Work Plan for the Program Evaluation Division of the General Assembly a study to evaluate the Division of Motor Vehicles' Commission Contract for the Issuance of Plates and Certificates program, authorized in G.S. 20-63(h), to determine the cost-effectiveness and savings that can be effected by changing or maintaining the current operating procedures and to develop any plans or practices that, if implemented, would result in increased operating efficiency of the Division of Motor Vehicles' Commission Contract program.

SECTION 2. The Program Evaluation Division shall submit its findings and recommendations for Section 1 of this act to the Joint Legislative Program Evaluation Oversight Committee, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division at a date to be determined by the Joint Legislative Program Evaluation Oversight Committee.

SECTION 3. The Commissioner of Motor Vehicles shall not cancel or amend any commission contracts for any reason other than malfeasance, misfeasance, or nonfeasance of the commission contractor until the study required by this act is complete and final recommendations have been acted upon by the Joint Legislative Program Evaluation Oversight Committee.

SECTION 4. G.S. 20-63(h) reads as rewritten:

"(h) Commission Contracts for Issuance of Plates and Certificates. – All registration plates, registration certificates, and certificates of title issued by the Division, outside of those issued from the ~~Charlotte and Raleigh-Charlotte, Fort Bragg and Raleigh~~ offices of the Division and those issued and handled through the United States mail, shall be issued insofar as practicable and possible through commission contracts entered into by the Division for the issuance of the plates and certificates in localities throughout North ~~Carolina-Carolina~~, including military installations within this State, with persons, firms, corporations or governmental subdivisions of the State of North Carolina. The Division shall make a reasonable effort in every locality, except as noted above, to enter into a commission contract for the issuance of the plates and certificates and a record of these efforts shall be maintained in the Division. In the event the Division is unsuccessful in making commission contracts, it shall issue the plates and certificates through the regular employees of the Division. Whenever registration plates, registration certificates, and certificates of title are issued by the Division through commission contract arrangements, the Division shall provide proper supervision of the distribution. Nothing contained in this subsection will allow or permit the operation of fewer outlets in any county in this State than are now being operated.

Commission contracts entered into by the Division under this subsection shall provide for the payment of compensation on a per transaction basis. The collection of the highway use tax shall be considered a separate transaction for which one dollar and twenty-seven cents (\$1.27) compensation shall be paid. The performance at the same time of one or more of the remaining transactions listed in this subsection shall be considered a single transaction for which one dollar and forty-three cents (\$1.43) compensation shall be paid.

A transaction is any of the following activities:

...."

SECTION 5. This act is effective when it becomes law.

Session Law 2011-391, House Bill 22

SECTION 52. Section 28.12A of Session Law 2011-145 reads as rewritten:

"**SECTION 28.12A.** The Program Evaluation Division of the General Assembly shall conduct a comprehensive evaluation of the North Carolina Railroad Company, a North Carolina corporation of which the

State is the sole shareholder and which is a discretely reported component unit of the State as defined by the Governmental Accounting Standards Board. The evaluation shall address, at a minimum, the following issues:

- (1) Whether the corporation is adhering to its stated corporate mission of maximizing the value of the corporation for the people of the State.
- (2) What economic development benefits have been provided by the corporation and for what costs.
- (3) An evaluation of the use of available cash by the corporation, including the purchase of real property used for investment purposes rather than paying dividends to the State.
- (4) The approximate value of the corporation's assets, based on a market valuation rather than historic or book value of assets.
- (5) The approximate value of the entire corporation as a going concern.
- (6) The effectiveness of the provisions of Chapter 124 of the General Statutes to allow the State to exercise its shareholder rights and to provide effective shareholder oversight of the corporation.
- (7) Whether the ownership of the corporation provides the State a reasonable return on its investment, attempting to consider both the tangible and intangible value provided by the corporation.
- (8) Whether the corporation should be sold, transferred under the jurisdiction of the Department of Transportation or another State agency, or maintain its corporate structure.
- (9) Whether the General Assembly should consider the possibility of repealing the corporate charter of the corporation by a special act, as allowed under Section 1 of Article VIII of the North Carolina Constitution.

For the purposes of this evaluation, the terms "State agency" or "agency" as used under Article 7C of Chapter 120 of the General Statutes shall include the North Carolina Railroad Company.

For the purposes of this evaluation, the Program Evaluation Division is hereby granted authority to exercise the State's shareholder right to inspect the corporate books and records of the North Carolina Railroad Company on behalf of the State.

The From funds available to the Joint Legislative Transportation Oversight Committee, the Program Evaluation Division may hire consultants to aid it in its evaluation, including experts in appraisal and valuation.

The Program Evaluation Division shall report the results of its study to the Joint Legislative Program Evaluation Oversight Committee and the Joint Legislative Transportation Oversight Committee no later than May 1, 2012-November 1, 2012."

[NOTE: The following Part is included in H773, the Studies Act, which was not enacted during the legislative Session. In that Senate conferees were not appointed, the bill is not eligible under the current Adjournment Resolution; however, it is provided in the circumstance that it becomes eligible through amendments to the Resolution]

PART XI. JOINT LEGISLATIVE PROGRAM EVALUATION OVERSIGHT COMMITTEE

SECTION 11.1. The Joint Legislative Program Evaluation Oversight Committee may direct the Program Evaluation Division of the North Carolina General Assembly to study the topics listed in this Part and report its findings, together with any recommended legislation, to the 2012 Regular Session of the 2011 General Assembly upon its convening.

SECTION 11.2. Motor Fleet Management (S.B. 158 – Bingham) – The Committee shall include in the 2011-2012 Work Plan for the Program Evaluation Division of the General Assembly a study to evaluate the State's motor fleet management program in the Department of Administration to determine if any cost savings can be effected by changing current operating procedures and to develop any plans or practices that, if implemented, would result in increased operating efficiency of the State's motor fleet management program.

[Note: The PED is currently conducting a study of the State's motor fleet, see Section 6.13 of HB 200, above].

SECTION 11.3. Community College Administration (S.B. 408 – Hartsell, Clary, Clodfelter) – The Committee shall include in the 2010-2011 Work Plan for the Program Evaluation Division of the General Assembly a study of the most efficient and effective way to administer the local community colleges system. In

the course of the study, the Program Evaluation Division shall consider the advisability of consolidating community college administration and strategies for ensuring access for students.

SECTION 11.4. North Carolina Department of Environment and Natural Resources' Handling of Alcoa Contamination (S.B. 626 – Hartsell, Bingham) – The Committee shall include in the 2011-2012 Work Plan for the Program Evaluation Division of the General Assembly a study of the progress of cleanup and the Department of Environment and Natural Resources' handling of contamination at the facility owned by Alcoa Power Generating, Inc., and the surrounding area, located in the Town of Badin in Stanly County.

SECTION 11.5. License Plate Agency Contracts (S.B. 661 – Bingham) – The Committee shall include in the 2011-2012 Work Plan for the Program Evaluation Division of the General Assembly a study and evaluation of the Division of Motor Vehicles' Commission Contract for the Issuance of Plates and Certificates program, authorized in G.S. 20-63(h), to determine the cost-effectiveness and savings that can be effected by changing or maintaining the current operating procedures and to develop any plans or practices that, if implemented, would result in increased operating efficiency of the Division of Motor Vehicles' Commission Contract program. **[Note: This topic is covered in H763, which was enacted and is included above]**

SECTION 11.6. Consolidation of Administrative Functions Among County Departments of Social Services (S.B. 410 – Hartsell, Clary, Clodfelter) – The Committee shall include in the 2011-2012 Work Plan for the Program Evaluation Division of the General Assembly a study of the consolidation of administrative functions among county departments of social services. In conducting the study, the Program Evaluation Division shall identify opportunities for functional consolidation, affected administrative functions, estimated cost savings, and requisite policy changes, if applicable, to accommodate the consolidation of administrative functions among county departments of social services. The Department of Health and Human Services, Division of Social Services, shall not consolidate these administrative functions except as directed by an act of the General Assembly.

SECTION 11.7. Current Structure of Governance Among Area Authorities Organized Under Chapter 122C of the General Statutes (S.B. 465 – Hartsell) – The Committee shall include in the 2011-2012 Work Plan for the Program Evaluation Division of the General Assembly a study of the impact of Medicaid waivers, LME consolidation, and LME expansion on the current governance model for area authorities, single-county programs, and multicounty programs established under Chapter 122C of the North Carolina General Statutes.

SECTION 11.8. Transportation Process and Funding (H.B. 811 – Torbett) – The Committee shall direct the Program Evaluation Division to assess the Department of Transportation's road construction processes, from project inception to project completion, including design and engineering, median placement process, and maintenance and repair projects, to determine if any cost savings can be effected by changing current operating procedures, by modifying the purchasing of building materials, including quantity and quality, by evaluating land purchases or condemnations and the laws, rules, and regulations for land acquisition for easements or setbacks, by evaluating the current and future financing factors associated with transportation projects, by evaluating the selection of transportation projects and vendors for the build process, by evaluating the environmental study process, by evaluating the process for time calculations from project start to finish, including the contracting process, and the development of any other plans or practices that, if implemented, would result in increased operating efficiency of the Department of Transportation's road construction process, including the maintenance and repairs program.

SECTION 11.9. Spectral Fluorescence Signature (SFS) Drug Analysis (H.B. 756 – Hamilton, McComas, Faircloth, Jordan) – The Committee shall include in the 2011-2012 Work Plan for the Program Evaluation Division of the General Assembly a study of the use of spectral fluorescence signature (SFS) drug analysis as evidence in court and as a method of reducing time between arrest and adjudication.